

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Greenbelt Division)**

In re:

**NATIONAL ENERGY & GAS
TRANSMISSION, INC. (f/k/a PG&E
NATIONAL ENERGY GROUP, INC.), *et
al.***

Debtors.

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* Case No.: 03-30459 (PM) and 03-30461 (PM)
through 03-30464 (PM) and 03-30686 (PM)
* through 03-30687 (PM)
Chapter 11

*

(Jointly Administered under
* Case No.: 03-30459 (PM))

* * * * *

**NOTICE OF SETTLEMENT BETWEEN
NEGT ENERGY TRADING – POWER, L.P.,
NATIONAL ENERGY & GAS TRANSMISSION, INC.,
RELIANT ENERGY SERVICES AND
RELIANT ENERGY, INC.**

PLEASE TAKE NOTICE THAT, consistent with the Order Authorizing Procedures for Settlement of Trade Contracts, dated November 17, 2003 (the “Order”), a copy of which is annexed as Exhibit “A” hereto, on or about July 22, 2004, NEGTEnergy Trading – Power, L.P. (“ET Power”) and National Energy & Gas Transmission, Inc. (“NEGT” and collectively with ET Power, the “Settling Debtors”), two of the debtors and debtors-in-possession in the above-captioned cases (collectively, the “Debtors”), entered into that certain Settlement Agreement and Mutual Release, a copy of which is annexed as Exhibit “B” hereto (the “Agreement”), with Reliant Energy Services, Inc. (“RES”) and Reliant Energy, Inc. (“REI” and collectively with RES, the “Settling Counterparties”).

PLEASE TAKE FURTHER NOTICE THAT, pursuant to the Agreement, the Settling Counterparties shall pay \$878,077 (the “Settlement Amount”) to the Settling Debtors, subject to terms and conditions set forth in the Agreement, in full and final satisfaction of all

claims arising out of the transactions identified on Schedule A to the Agreement (the “Relevant Contracts”). As a component of the Agreement, the parties also have agreed to release each other from any liabilities whatsoever arising out of the Relevant Contracts. The Debtors believe that the consummation of the Agreement is advantageous to the Settling Debtors in that the Agreement approximates the maximum recovery that the Settling Debtors could otherwise achieve through litigation while avoiding its attendant risks and costs.

PLEASE TAKE FURTHER NOTICE THAT, pursuant to the Settlement Protocol approved by the Order, objections, if any, to the effectiveness and consummation of the Agreement, must be: (a) filed with the Court; and (b) served upon: (i) the undersigned; and (ii) Sidley Austin Brown & Wood LLP, 1501 K Street N.W., Washington, D.C. 20005, Attention: Guy S. Neal, Esq., together with proof of service thereof, so as to be received within ten (10) business days after the date hereof (the “Effective Date”).

PLEASE TAKE FURTHER NOTICE that unless objections are received in accordance with this Notice and the Order, the Agreement will become fully effective and shall be consummated. If a written objection is received by the Debtors within such ten (10) business day period then, absent a resolution of such objection, a hearing and a further order of the Court will be required to determine whether the Agreement should be approved.

Dated: September 23, 2004

WILLKIE FARR & GALLAGHER LLP
Steven Wilamowsky, Esq.
787 Seventh Avenue
New York, NY 10019-6099
(212) 728-8000
-and-

WHITEFORD, TAYLOR & PRESTON LLP

/s/ Martin T. Fletcher
Paul M. Nussbaum, Esq. (No. 04394)
Martin T. Fletcher, Esq. (No. 07608)
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Co-Counsel for Debtors and Debtors in Possession

CERTIFICATE OF SERVICE

I hereby certify that, on September 23, 2004 a copy of the foregoing pleading was sent *via* first class mail to the parties on the attached service list.

/s/ Susan J. Roberts
Susan J. Roberts, #26827